

Item 1: Growth Hub Update and ERDF Legacy Funding

1. Purpose

- 1.1. To provide the Strategic Board (the Board) an update on the SELEP Growth Hub and associated business support projects, and to seek agreement to a proposal for the spending of ERDF Legacy Funding that will help support businesses through economic recovery.

2. Recommendations

- 2.1. The Board is asked to agree the ERDF Legacy Funding proposal to provide support for businesses looking to pivot/ adapt during economic recovery
- 2.2. The Board is asked to note SELEP's current Growth Hub model

3. Background

- 3.1. As we move through unprecedented economic times, the need to support our micro, small and medium sized enterprises (SMEs) has never been more vital. Business support has always been a key activity for economic growth, offering diagnostic support (i.e. talking with a business to define their needs), expert advice and financial programmes. Now more than ever, businesses need advice and guidance in order to survive, adapt and access the vast package of financial help currently on offer.
- 3.2. SELEP has a lead role in the region's business support landscape through the operation of our Growth Hub called South East Business Hub (SEBH), and by helping to develop and secure funding for a variety of associated support programmes.

4. South East Business Hub

- 4.1. Growth hubs were established in 2014 for each LEP to provide a localised approach to addressing business barriers to growth, through face-to-face professional advice and signposting to the most appropriate resources. LEPs receive annual core Growth Hub grant funding from the Department of Business, Energy and Industrial Strategy (BEIS) to provide this service.
- 4.2. The SEBH operates a hub and spoke model with three delivery arms providing a local service across the SELEP geography; these are recognised as Business East Sussex Growth Hub (BES), Business Essex, Southend and Thurrock Growth Hub (BEST) and Kent and Medway Growth Hub (KMGH). This model provides for strategic direction and coordination, whilst enabling local flexibility and decision making. The SEBH is strategically directed by the SEBH Steering Group (a Working Group to SELEP), as do all three delivery arms through their own local Steering Groups that link directly to Federated Area Boards feeding into the Strategic Board, providing a strong governance framework.
- 4.3. The SEBH and its delivery arms provide a 'front door' for businesses by offering free and impartial advice on the wide array of resources available. Business navigators and advisors are on hand to speak to SMEs to help identify what activities the business could access. This includes signposting for some, undertaking a diagnostic with others to identify their issues and needs, and providing specialist advice where appropriate.
- 4.4. In addition to this core service, BES, BEST and KMGH actively develop complementary activities in partnership with others, such as Local Authorities, academia or business intermediaries (e.g. CoC) to extend the depth and reach of the service. The ability to leverage additional resources within the delivery areas varies due to opportunity and local needs and includes, for example, top up funding from Local Authorities and in-kind resources.

5. Other projects in the business support landscape

5.1. Business support activities associated with the SEBH and business support projects can be categorised as follows:

- 1 to 1 consultative advice, (measured by the number of hours support provided and covering generic to bespoke business/sector topics
- 1 to many advice, such as workshops and webinars, with the same measurement and target beneficiaries as above
- Small business grants, typically ranging from £1,000 to £20,000 (at various intervention rates, whereby the SME is expected to contribute a percentage) for purchasing equipment, specialist advice or academic/ Research & Development support to facilitate innovation
- Access to peer to peer, or business to business networks, including trade fairs and provision of business incubation and innovation space

5.2. These activities have for many years been enabled by European Regional Development Funding (ERDF). ERDF is administered by the Ministry for Housing, Communities and Local Government, and not directly by LEPs, although SELEP plays an active role in facilitating its drawdown. The current programme runs from 2014 until December 2020, during which time c.£35 million has been contracted to 3-year long projects delivering across SELEP, with c.£41 million in the process of being allocated to projects in SELEP. A list of contracted projects is given in Appendix A, which shows their extent and diversity. All have been developed to align with each other and to provide additionality to the SEBH core offer.

5.3. Growth Hub and ERDF project advisors or other referral mechanisms (such as the National Business Support Helpline) seek to take businesses on a customer journey, enabling them to access support which is relevant to them and their diagnosed needs, to enable growth, scale-up and innovation.

5.4. Interregional and sub regional support and financial packages also have their place in the landscape. Examples include but are no way limited to: Innovate UK, Knowledge Transfer Partnerships, Department for International Trade, Mentoring for Growth, Enterprise Nation, Local Authority funded grant and loan schemes, and rural development grants and initiatives. Understanding the full landscape is no easy task; it is constantly in flux as individual projects start or come to an end, and new funding and open calls come online. This is where the Growth Hub service really excels, as navigators and advisors are well placed to hear about, signpost to and advise on current offers.

6. Responding to the COVID-19 crisis and ERDF Legacy Funding

6.1. There is no doubt that, since the start of the COVID-19 lockdown, demand for our Growth Hub services has dramatically increased, as many more small businesses seek up-to-date advice and guidance.

6.2. SELEP's business impact survey shows that the enforced closure of businesses has primarily impacted cash-flow and access to domestic customers. Support has thus largely been light intensity conversations to help businesses understand the Government's financial package of support and navigate finance options, consider options where they are not eligible for that support, and to explore ways of adapting their operations to be legally compliant with health,

safety and social distancing measures.

- 6.3. Principle business support objectives of enabling growth and job creation have rapidly been replaced by the need to assist business survival and job retention. Survey evidence shows that businesses are still in a response phase as Government's interventions continue to be accessed, and longer-term impacts on cash-flow, business survival rates and potential redundancies has yet to materialise.
- 6.4. Several workstreams and offers have been moving forwards in parallel and in response to the emerging situation, to complement SEBH:
 - 6.4.1. Our ERDF projects have been working to adapt their activities to provide support online and to make their small grant programmes relevant to emerging business needs. This is challenging as European funding has strict eligibility and compliance rules that need to be negotiated.
 - 6.4.2. Upper tier authorities have been considering what further support they could provide. However, local resources are extremely tight, and the Government's package of grants and loans has been very comprehensive. Notably though, KMGH launched a COVID-19 hotline in April, funded for 3 months by Kent County Council and the District and Borough Councils in Kent, to provide additional call handlers and advisors in response to the upsurge in enquiries.
 - 6.4.3. BEIS is providing additional funding of £234,000 to SELEP (as part of a £10 million uplift across all LEPs) in addition to our SEBH revenue funding of £656,000 for this financial year. Details on how this funding can be used have yet to be received, so options for spend have not yet been developed.
 - 6.4.4. ERDF Legacy Funding remains available for growth hub type activities in Kent & Medway and East Sussex. Proposals to spend this funding require Board approval, which is sought in section 7 below.
- 6.5. Whilst we are some way off from clear and coherent economic recovery plans, it is essential that we take steps to conceptualise and develop business support interventions moving forwards to facilitate a timely and responsive approach. It will also be important to ensure that the delivery model of those interventions is agile and appropriate for the businesses across the geography.
- 6.6. Further information on the developing plan for business support including our core Growth Hub offer as well as any additional COVID-19 response activities (should the Board agree to such a fund being established) will be provided to the Board at the meeting in October 2020.

7. ERDF Legacy Funding – a proposal for Board agreement

- 7.1. In December 2019 the Board agreed for SELEP to accept £349,000 ERDF Legacy Funding from MHCLG to be spent on 'growth hub type' activities in Kent & Medway and East Sussex, with a proviso that proposals on how to spend this funding would be brought to the Board for agreement at a future date.
- 7.2. Conversations have since taken place on how best to utilise this funding against the current landscape of interventions (described above) and in the current climate.
- 7.3. Previous high-growth pilot programmes, run independently in both federated areas, have

demonstrated successful outcomes from a deep and long-term (e.g. 36 hours over several months) targeted support programme, working specifically with business that have the potential to grow. This level of resource investment is outside the scope of core growth hub grant funded activity and eligible ERDF project activities; however, the pilots have shown that such a programme provides for significant growth and value for money.

- 7.4. It is proposed that the pilot models are now adapted to support existing businesses with potential to emerge from the crisis if they adapt and diversify, or 'pivot', by developing new business models and ways of working to resume trading as we move through and out of lockdown. The outcomes would relate directly to businesses surviving the crisis and jobs retained.
- 7.5. These 'pivot programmes' would be delivered independently under the auspices of KMGH and BES, with legacy funding granted accordingly through individual agreements between the Accountable Body and the relevant lead authority. A requirement of the grant agreement shall be the provision of a detailed outline of the programme together with a timeline, spend and outcomes profiles. Both programmes will agree to share learning and best practice across the SEBH, to increase the benefits of this funding to the whole SELEP geography.
- 7.6. Grant agreements with both lead authorities will be in place by the end of December 2020. As a caveat to this proposal, if either or both lead authorities identify an unforeseen yet more appropriate eligible activity, perhaps as part of their recovery planning process or on the back of emerging evidence, that would achieve the same outcomes, then this may be presented to the Accountable Body as part of the grant agreement process. If this scenario results in the grant agreements not being established by the end of December 2020, this proposal will be brought back to the Board for further agreement.
- 7.7. The Board is asked to agree to this proposal, to ensure that delivery can be progressed in a timely fashion and as part of a longer-term economic recovery package.

8. Next Steps

- 8.1. As the crisis unfolds and our recovery interventions and plans emerge, business support must feature largely if we are to see our business communities and key sectors survive, adapt and help re-build the local and regional economy. With European funding coming to an end in December 2020, and the impact of EU Exit still to come, the need for robust, coordinated and strategically led business support across the region has never been greater.
- 8.2. Since the publication of Government's Industrial Strategy, we have expected a UK Shared Prosperity Fund (UKSPF) to emerge as replacement funding for European Structural Funding post EU Exit and the Local Growth Funding. In the absence of any further information on UKSPF, we must consider how best to deploy all our available resources, including those of the Growth Hub and associated programmes, to optimise our recovery potential.
- 8.3. This approach will utilise emerging evidence, data and intelligence defining the economic impacts of COVID-19 and will inform anticipated modifications to our draft Local Industrial Strategy.
- 8.4. SELEP aspires to lead the way on redefining our business support landscape in the coming months and will engage with the Board on key proposals at all appropriate milestones.

9. Accountable Body Comments

- 9.1. The Accountable Body, Essex County Council received ERDF Legacy Grant funding of £349,913.12 in March 2020.

- 9.2. The Accountable Body, Essex County Council will enter into Grant Agreements with East Sussex County Council and with Kent County Council to enable the transfer of ERDF Legacy Funding should the proposal in this paper be agreed by the Board.
- 9.3 A requirement of the Grant Agreement will be for each lead Authority to include the programme outline, detailing the application of the grant in line with the conditions of the ERDF Legacy grant. The Accountable Body will ensure that the programme outline detailing activities, timings and outcomes are in accordance with the ERDF Legacy funding Grant Conditions, as follows;
- 9.2.1. The Legacy Fund where possible should support 2014-20 ERDF Financial Instruments but where this is not possible stand-alone re-investment can be considered. Under Article 78(7) EU Regulation 1083/2006 resources returned to the operation from investments undertaken by funds as defined in Article 44 or left over after all guarantees have been honoured shall be reused for the benefit of urban development projects or of small and medium-sized enterprises (SMEs). This reuse refers to the first legacy investment and as this project originally supported SMEs it should be used for the same purpose.

10. Appendices

10.1. Appendix A: Contracted ERDF Business Support projects in SELEP

Better off in Business	Supporting unemployed 18-30 year olds who have a business idea for self-employment
Community Led Local development (CLLD) programmes in Folkestone, Hastings and Tilbury	Locally devised and delivered support projects to hard-to-reach communities in deprived areas
Foreign Inward Investment Kent and East Sussex	Supporting and encouraging SMEs looking to relocate or expand into Kent & Medway and East Sussex
Get Exporting and South East Gateway to Trade	An extension to DIT offer providing International Trade Advisors and associated events; includes a grant programme
KEEP+	Supporting SMEs looking to connect with academic expertise and R&D facilities, to develop new products and services; includes a grant programme
Low Carbon across the South East	Supporting SMEs looking to implement energy efficiency measures, and enabling growth in the Low Carbon and Environmental Goods Sector; includes a grant programme
Manufacturing Growth Programme	Supporting growth of manufacturing SMEs; includes a grant programme
South East Business Boost	An extension to the core growth hub service, and offering a small business grant programme
South East Creatives	Supporting SMEs in the creative, cultural and digital sectors; includes a grant programme
Transportation and Logistical	Supporting SMEs in the logistics sector to better utilise data

Efficiencies (TALE)	and analysis to become more efficient and innovative
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